Revealing 3 Powerful Tips to Make You Rich

Description

One way to make you wealthy is by saving and investing. Do this as early as possible, save as much as you can and invest the savings intelligently. Stocks offer the best long-term returns when compared to bonds and other fixed-income investments.

Every $2,000 (or monthly savings of merely $167) compounded annually at a rate of return of 12% will transform into about $35,100 in 10 years, about $144,100 in 20 years, +$482,600 in 30 years, and +$1,534,100 in 40 years.

Notice that the returns did not merely double when the investment period was doubled to 20 years. The returns quadrupled!

At the end of year 30, the returns were nearly 14 times as much as the returns at the end of year 10.

At the end of year 40, the returns were nearly 44 times as much as the returns at the end of year 10.

The longer you save and invest your money for a decent rate of return, the richer you become thanks to the magic of compounding over time.

Invest in quality businesses that outperform in the long run

Identify quality businesses that have outperformed the market in the long run. Across multiple periods, the stocks of **OpenText** (TSX:OTEX)(NASDAQ:OTEX), **Canadian National Railway** (TSX:CNR)(NYSE:CNI), and **Alimentation Couche-Tard** (TSX:ATD.B) have outperformed.

In the past 10 years or so, an investment in OpenText and Canadian National Railway delivered annualized rates of return of about 19%, while Couche-Tard delivered a market-crushing rate of return almost 31% in the period. These returns outperformed the market's (i.e., **S&P 500 Composite Index'**) annualized rate of return of about 16%.

Invest in these businesses at good valuations

These three winners are very well managed businesses with long-term track records of success. However, individual investors need to buy them at reasonable (or better yet, discounted) valuations to get outperforming returns.

Right now, OpenText and Couche-Tard offer better value than Canadian National Railway. Specifically, they have PEG ratios of about 1.2 and 1.3, respectively, versus Canadian National Railway's PEG ratio of about 2.3.

All three stocks are expected to continue growing at a double-digit rate. However, an investment in OpenText or Couche-Tard has a better chance of delivering rates of returns of +12% than does Canadian National Railway due to their cheaper valuations.

Aim to hold forever

After you buy these quality businesses at reasonable valuations, aim for a holding period of forever to let compounding work its magic — unless the businesses change for the worse.

A $10,000 investment in OpenText, Couche-Tard, and Canadian National Railway just 12 years ago would have transformed into +$110,700, +$118,500, and +$70,000, respectively. If the dividends were reinvested into these stocks, the returns would have been even more astounding!

Investor takeaway

A safe way to get rich from investing in stocks is by buying long-term winning businesses when they're reasonably priced. Right now, OpenText and Couche-Tard are reasonably priced. If you plan to invest for a long time, they're great stocks to start buying today.

Canadian National Railway is also a wonderful business. However, it's currently a bit pricey. Over the next 12 months, it'll be a great buy if it gets close to $100 per share.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

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2. NYSE:CNI (Canadian National Railway Company)
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